

WINTER 2007

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WITH YOUR FINANCIAL FUTURE.

PARTICIPANT PROFILE

Kimberly Schuler Has Clear Savings Goals



Kim and Rob Schuler near their home in Portsmouth, N.H.

If you work in Kimberly Schuler's office, you'd better be prepared to put money away. As a manager, Kim insists that new employees understand the importance of an early start. "It can make a huge difference to begin saving in your 20s," she says. Clearly she makes a good case: Her staff has 100% participation in their employer-sponsored retirement savings program.

Kim learned how money can grow from her father, an

accountant. "He talked a lot about the importance of saving, staying out of debt, and building good credit," she says. "Now I see my parents enjoying their retirement and I think, I want that for myself."

As soon as she landed her first job, Kim started contributing to a retirement plan. By the time she joined her present employer, she was able to roll a modest savings into her current program. "And it's been

happily growing ever since!" she says.

Kim's ambitious goals are reflected in her investment approach. "For me, it's important to be aggressive," she says, noting that the majority of her portfolio is in stock funds. "I believe that over time you'll get more bang for your buck." Kim contributes 25% of her annual income to her retirement fund, and gets a 3% employer match.

Kim met her husband, Rob, an environmental engineer, in college. As Kim and Rob prepare for the birth of their first baby, they've opened a 529 plan to put aside money for college. "I find my retirement plan is the easiest way to save," says Kim, "It just comes right out of my paycheck—I don't even miss it." ■

The experience of this customer may not be representative of the experiences of all customers and is not indicative of future performance or success.



Percentage of retirees who say they retired earlier than they expected: **38%**¹

THE BIG FUTURE

Whether it's a hot political race or a big game, we spend a lot of time analyzing possible outcomes. But as candidates and coaches can attest, it's rare that all goes according to plan. And that's a lesson you can apply to saving for retirement. Maybe a health issue for you or someone in your family will cause you to retire earlier than you planned. Or maybe you'll want to change careers at some point and take a pay cut to pursue your dream. Because you don't know what the future holds, the best approach is to save regularly to help protect your future financial security.

REASONS FOR EARLY RETIREMENT*

could afford to:	39%
health problem:	40%
work-related reason:	40%
wanted to do something else:	24%
family reason:	22%

Source: 2006 Employee Benefit Research Institute Retirement Confidence Survey

* Respondents were able to choose more than one option.

5 Tips for Digging Out of Holiday Debt

While holiday cheer is short-lived, holiday remorse can stretch into spring—and beyond. Myvesta, a non-profit consumer education organization, estimates that if you charge \$1,200 for holiday gifts, it could actually take more than 22 years to pay off and cost you nearly \$2,600 in interest (assuming an 18% interest rate and a monthly minimum payment of 2%). If you were overly generous this holiday season:

1. Open the bills and open up.

List how much you owe, to whom, and at what interest rate.

2. Develop a six-month plan.

Divide your total debt by six (including interest) and commit to paying that amount each month.

3. Carry cash.

Spending decisions are more likely to hit home when you see the cash leaving your wallet.

4. Raise cash.

Use classified ads, online auction services, or a garage sale to sell belongings you no longer need.

5. Break the cycle.

Assuming you pay off your debt in six months, save the same amount for the next six months to finance this year's gift giving. Better yet, determine to spend less next holiday season by creating a modest budget and sticking to it. Invest what you don't spend in your workplace savings plan, and you'll be giving yourself a gift that will keep on giving.

Myvesta and Fidelity Investments are independent entities and are not affiliated.

Bridging the Savings Gap

You don't need complex calculations to help plan a financially secure retirement—it all comes down to just three simple numbers.

1 HOW MUCH YOU NEED TO SAVE.

Experts say your monthly retirement income should be approximately 85% of your pre-retirement income. Of course, that number multiplied out over a 30- to 40-year retirement can seem daunting, but it's a number you need to know so you can adequately prepare.

2 HOW MUCH YOU HAVE SAVED.

Add up the value of your employer-sponsored retirement accounts, IRAs, and general investments.



This amount will likely grow over the coming years until you reach retirement.

3 HOW MUCH MORE YOU NEED TO SAVE.

It's likely you'll find a gap between your current savings and your ideal retirement nest egg. Even if retirement is decades away, you may need to increase your monthly savings to bridge the gap. The sooner you boost your contribution, the longer that money has to work for you. ■

> The new and improved Retirement Quick Check is an online tool that can help you find out how much you need to save. Just log on to Fidelity NetBenefits® via

www.fidelity.com/atwork and click on Tools and Learning—Retirement Planning Tools. Retirement Quick Check is an educational tool developed by Strategic Advisers, Inc., a registered investment advisor and a Fidelity Investments company, and offered for use by Fidelity Brokerage Services LLC, member NYSE, SIPC, or by Fidelity Investments Institutional Services Company, Inc.

Savings Help from Congress

The landmark Pension Protection Act of 2006 strengthens traditional pension plans, but it also does plenty for people saving for retirement. Most significantly, the act makes permanent many savings opportunities that were scheduled to expire, including:

- Higher contribution limits for employer-sponsored retirement plans
- Catch-up contributions for investors age 50 and over
- The Saver's Credit, which gives low- and moderate-income workers up to a \$1,000 tax credit for contributing at least \$2,000 to an IRA or an employer-sponsored retirement plan

- Tax-free status of qualified distributions from 529 plans

Additional provisions make managing your retirement account easier. For example, you can now:

- Deposit portions of your federal tax refund directly into an IRA



A retirement plan will put your family at ease.

- Starting in 2008, roll over assets from an eligible employer-sponsored retirement plan directly into a Roth IRA

The Pension Protection Act gives employers more freedom to establish automatic savings for employees and to offer investment advice. Higher contribution levels, greater control over your investments, and access to investment advice combine to deliver Congress' message loud and clear: Securing your retirement is up to you. ■

> For more information about what the Pension Protection Act means to you, log on to www.fidelity.com/atwork or call a Fidelity Retirement Services Specialist at **800-343-0860** or your employer's toll-free number.

DID YOU KNOW?

What are the chances that at least one member of a healthy 65-year-old couple will live to be 92? **(A) 50%** **(B) 25%** **(C) 10%**
(See answer below.)
Answer is 50%. Source: Annuity 2000 Mortality Table; Society of Actuaries.

The IRS maximum 401(k) and 403(b) elective deferrals limit increased from \$15,000 in 2006 to \$15,500 in 2007. The catch-up contribution limit for those over 50 remains at \$5,000.

Timeline for Retirement

While the most significant date in your retirement timeline may be the day you enroll in your employer-sponsored retirement savings plan, these milestones are important too:

Age 50: You qualify to make catch-up contributions to your retirement accounts.

Age 59½: You may make withdrawals from your retirement account without tax penalties, but leaving the money alone means more time for potential tax-deferred growth.

Age 62: You can choose to receive Social Security benefits, but waiting means a bigger monthly benefit.

Age 65: You become eligible for Medicare.

Age 66: If you were born between 1943 and 1954, you are eligible for full Social Security benefits. If you were born between 1955 and 1959, you are eligible for full benefits at age 66 plus two, four, six, eight, or 10 months, depending on the year you were born.

Age 67: If you were born in 1960 or later, you are eligible for full Social Security benefits.

Age 70½: You must start taking

minimum withdrawals from most retirement accounts so as not to be subject to tax penalties.

Age 100: Because life expectancy for Americans has increased 30 years in the last century, many experts suggest planning to live to be 100. ■



UNDERSTANDING INTEREST RATE CHANGES

Changing interest rates can seem like a catch-22. When the Federal Reserve Board increases rates, for example, you get better returns from bank savings accounts and money market funds but pay higher rates on home mortgages and credit cards. In your retirement portfolio, rising interest rates generally have the most immediate impact on bond funds. When rates rise, existing bonds sell at lower prices because bond buyers prefer newer bonds with higher yields. So as rates inch up, you may see the value of your bond funds drop. Don't panic. Over time, current higher yields can compensate—and bond funds can temper the ups and downs of your portfolio, which helps reduce overall risk.

But interest rates rising with an improving economy can be positive news for stocks, depending on the industry. How balanced funds react to interest rate spikes depends on the fund's makeup. By design, some funds have little flexibility in their stock-bond mix, while others have greater freedom to react to the market.

Should you reposition your retirement portfolio in response to changing interest rates? Like all investment decisions, that depends on your goals, time horizon, and tolerance for risk.

> CONNECT WANTS TO HEAR FROM YOU

Have you increased the amount you're saving lately? Tell us about it. E-mail Fidelity today at Connect@fmr.com.

1. Source: 2006 Employee Benefit Research Institute Retirement Confidence Survey

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money. Over time, the value of your account will vary and you may have more or less than the original amount invested.

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